Exhibit G

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2007

Commission File Number 0-22999

Tarragon Corporation

(Exact name of registrant as specified in its charter)

Nevada	94-2432628
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
423 West 55th Street, 12th Floor, New York, NY	10019
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code **(212) 949-5000**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☐ Yes ☑ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☑ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☑ No

Common Stock, $.01 par value	28,917,954
(Class)	(Outstanding at December 14, 2007)

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TARRAGON CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

NOTE 1. BASIS OF PRESENTATION

The accompanying Consolidated Financial Statements of Tarragon Corporation, a real estate developer, owner and manager, its subsidiaries, and consolidated partnerships and joint ventures have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements, but, in our opinion, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of consolidated financial position, consolidated results of operations, and consolidated cash flows at the dates and for the periods presented have been included. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the financial statement date and reported amounts of revenue and expenses during the reporting period. On an on-going basis, the Company reviews its estimates and assumptions. The Company's estimates were based on its historical experience and various other assumptions that the Company believes to be reasonable under the circumstances. Actual results are likely to differ from those estimates under different assumptions or conditions. Operating results for the six months ended June 30, 2007, are not necessarily indicative of the results that may be expected for the year ending December 31, 2007. For further information, refer to the Consolidated Financial Statements and Notes included in our Annual Report on Form 10-K for the year ended December 31, 2006. Dollar amounts in tables are in thousands, except for per share data.

Liquidity. The sudden and rapid deterioration in the real estate credit markets in the summer of 2007 resulted in Tarragon being unable to complete financing transactions that had been under negotiation. In addition, our business continues to be affected by the significant deterioration of the homebuilding industry in the markets in which we operate, and in the Florida market in particular. These conditions led to a decline in new home prices, increased use of sales discounts and other incentives, and increased interest and other carrying costs. We have also incurred additional lease-up and interest costs associated with apartment properties that we targeted for conversion into condominiums and subsequently decided to operate as rental properties. Current market conditions remain difficult, and there can be no assurance that these conditions will not continue to adversely impact our operations.

These events described above materially affected our liquidity, including our ability to repay existing indebtedness as it became due and to meet other current obligations. As discussed in NOTE 5. "NOTES PAYABLE AND COVENANTS," we did not pay August 2007 debt service as scheduled and received notices of default and acceleration from certain of our lenders, including General Electric Capital Corporation ("GECC") and Fannie Mae. Loans with GECC, Fannie Mae and other lenders have been reinstated as of the current date. However, we continue to be in default on certain loans. Additionally, we have not paid certain loans that have matured since June 30, 2007, and are seeking extensions of the maturities from these lenders. See NOTE 5. "NOTES PAYABLE AND COVENANTS."

As discussed in NOTE 4. "INVESTMENTS IN AND ADVANCES TO PARTNERSHIPS AND JOINT VENTURES," we received notices of default, as guarantor, from the lenders of three unconsolidated entities because August 2007 and September 2007 debt service payments were not made timely. These loans have been restored to good standing, but have subsequently matured. We are seeking extensions of the maturities from these lenders. As discussed in NOTE 5. "NOTES PAYABLE AND COVENANTS" and NOTE 4. "INVESTMENTS IN AND ADVANCES TO PARTNERSHIPS AND JOINT VENTURES," we are not currently in compliance with financial covenants contained in certain of our existing debt agreements.

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than last. The overall decrease in cost of homebuilding sales for the three months ended June 30, 2007, compared to the same period in 2006 is comprised of:

- $6.9 million decrease related to four condominium conversion projects that were completed and sold out prior to April 1, 2007;
- $20 million decrease associated with the decrease in revenue for current condominium conversion projects; and
- $39.1 million increase related to impairment charges on five condominium conversion projects and one mid-rise development in the second quarter of 2007.

Total cost of homebuilding sales was $243.0 million for the six months ended June 20, 2007, an increase of $38.1 million over the same period of 2006. The overall increase in cost of homebuilding sales for the six months ended June 30, 2007, compared to the same period in 2006 is comprised of:

- $29.1 million increase related to the sale of a rental development in January 2007;
- $6.5 million increase related to two high- and mid-rise projects with expected gross profit margins of 18% and 22% as of June 30, 2007, that commenced revenue recognition in March 2006 and October 2006, respectively;
- $43.4 million increase related to impairment charges on five condominium conversion projects and two mid-rise developments during 2007;
- $17.4 million increase related to one townhome development that began recognizing revenue in the second quarter of 2007;
- $31.2 million decrease related to five projects with gross margins ranging from 14% to 50% that were completed and sold out prior to January 1, 2007; and
- $24 million decrease associated with the decrease in revenue for current condominium conversion projects.

Gross loss from home sales was ($35.9 million) for the three months ended June 30, 2007 compared to gross profit from home sales of $23.7 million for same period of 2006. Gross loss from home sales was ($28.0 million) for the six months ended June 30, 2007, compared to gross profit of $50.1 million for the same period of 2006. As discussed above, the overall decrease in gross profit in 2007 is principally due to decreased revenue from high- and mid-rise developments and condominium conversion projects, an allowance for estimated losses due to potential customer defaults, write-downs of homebuilding inventory, and expected gross margin reductions in 2007 compared to 2006.

In July 2007, we began experiencing increased buyer defaults at One Hudson Park. Deposits required for projects in this product-type have typically been 5% to 20% of the purchase price, which we concluded were sufficient to motivate buyers to comply with their contractual obligations. At One Hudson Park, where buyers were required to make deposits of up to 10% of the purchase price, revenue has been recognized on the percentage of completion method on firm contracts that meet the requirements established in SFAS No. 66, "Accounting For Sales of Real Estate," ("SFAS 66"), including the conclusion that sale prices are collectible. Recent changes in the credit markets have made it more difficult for buyers to obtain suitable financing, resulting in 18 buyers defaulting subsequent to June 30, even though they made significant nonrefundable deposits (ranging from $32,000 to $163,000). The allowance for estimated losses due to potential customer defaults takes into consideration these 18 defaults, as well as an estimate of expected future defaults under firm contracts existing at June 30, 2007. The allowance of $19.4 million was recorded as a reduction to homebuilding sale revenue.